If you have any questions regarding this State Plan Amendment, please contact Tom Folmer at (402) 471-9202.

Sincerely,

Robert J. Seiffert, Administrator
Medical Services Division

Enclosure

State Plan TN# _____
Supersedes TN# _____

Effective Date JUL 25 1995
Approval Date DEC 11 1998

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STATE OF NEBRASKA

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DEPARTMENT OF SOCIAL SERVICES
Dean Harvey
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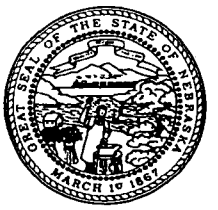

E. Benjamin Nelson
Governor

March 25, 1993

Mr. Richard P. Brummel
Associate Regional Administrator
for Medicaid
Room 227, Federal Office Building
601 East 12th Street
Kansas City, MO 64106

RE: State Plan Amendment MS-93-7

Dear Mr. Brummel:

This plan amendment addresses payments for inpatient hospital services provided by state-operated institutions for mental disease (IMD's). This letter provides the required assurances and related information.

REASONABLE AND ADEQUATE RATES - 42 CFR 447.253(b)(1)(i): The Department finds these rates are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated facilities to provide services in conformance with applicable state and federal laws, regulations, and quality and safety standards. This plan amendment establishes a separate class of care for state-operated IMD's that would be reimbursed for all reasonable and necessary costs of operation via an interim rate and an adjustment to actual cost at the end of the cost reporting period.

METHODS AND STANDARDS - 42 CFR 447.253(b)(1)(ii)(A): The Department finds that the methods and standards used to determine payment rates take into account the situation of hospitals that serve a disproportionate number of low-income patients with special needs. This plan amendment does not change the existing methods that specifically address disproportionate share hospitals.

INAPPROPRIATE LEVEL OF CARE - 42 CFR 447.253(b)(1)(ii)(B): The Department finds that the methods and standards used to determine payment rates provide that reimbursement for hospital patients receiving services at an inappropriate level of care will be made at lower rates consistent with section 1861(v)(1)(G) of the Social Security Act. This plan amendment does not change the current method for determining rates for patients receiving services at an inappropriate level of care.

REASONABLE ACCESS - 42 CFR 447.253(b)(1)(ii)(C): The Department finds that the average payment rates are adequate to assure that clients have reasonable access, taking into account geographic location and reasonable travel time, to inpatient hospital services of adequate quality. This plan amendment does not change the average payment rates that are calculated under the current methodology. This plan amendment establishes a separate class of care for state-operated IMD's.

P.O. Box 95026 • Lincoln, Nebraska 68509-5026 • Phone (402) 471-3121 • (402) 471-9570/TDD/TT

UPPER LIMITS - 42 CFR 447.253(b)(2): The Department finds that its average payment rate pays no more in the aggregate for inpatient hospital services than the amount the State estimates is paid for those services under Medicare principles of reimbursement. This plan amendment does not change the average payment rates calculated under the current payment methodology. This plan amendment establishes a separate class of care for state-operated IMD's.

UPPER LIMITS - STATE OPERATED FACILITIES - 42 CFR 447.272: The State estimates that this plan amendment will pay no more to state-operated facilities in the aggregate for inpatient hospital services than the amount the State estimates would be paid for those services under Medicare principles of reimbursement. This plan amendment establishes a separate class of care for state-operated IMD's that would be reimbursed for reasonable and necessary costs with an interim rate and an adjustment to actual cost at the end of the cost reporting period.

PROVIDER APPEALS - 42 CFR 447.253(c): The Department provides an appeal procedure that allows individual providers an opportunity to submit additional evidence and request prompt administrative review of payment rates. Provision is made for this at 471 NAC 10-010.03R, Provider Appeals. This plan amendment does not change this provision.

UNIFORM COST REPORTS - 42 CFR 447.253(d): The Department finds that the plan provides for uniform cost reports by use of the Medicare cost report (Form HCFA-2552) for the same reporting period as that used for Medicare. This provision is at 471 NAC 10-010.03A. This plan amendment does not change this provision.

AUDIT REQUIREMENT - 42 CFR 447.253(e): The Department finds that the plan provides for periodic audits of the financial and statistical records of participating providers. The Department has reserved this right for itself under 471 NAC 10-010.03Q, Audit, and 10-010.03P, Access to Records. This plan amendment does not change these provisions.

PUBLIC NOTICE - 42 CFR 447.253(f): Public notice regarding this proposed change was published on December 31, 1992, in the Lincoln Journal-Star and the Omaha World Herald.

RATES PAID - 42 CFR 447.253(g): The Department pays for inpatient hospital services using rates determined in accordance with the methods and standards specified in the approved state plan. This plan amendment does not change this provision.

EFFECTIVE DATE: The proposed effective date of this plan amendment is January 1, 1993.

REVALUATION OF ASSETS - Section 1902(a)(13)(B): The Department finds that its payment methodology can reasonably be expected not to increase payment solely because of a change in ownership, in excess of the increase which would result from application of section 1861(v)(1)(0) of the Social Security Act. Rates

are set using the Medicare cost report, and the reimbursement plan requires depreciation recapture if a facility is sold for profit. This plan amendment does not change this provision.

RELATED INFORMATION - 42 CFR 447.255

ESTIMATED AVERAGE PROPOSED RATE - 42 CFR 447.255(a):

Provider Type	Previous Rate Average	Proposed Rate Average	% Change
State-operated IMD's	$185.33	$202.61	9.3% +

EFFECTS OF THIS CHANGE - 42 CFR 447.255(b): The Department finds that this plan amendment will not directly affect -

1. The availability of services on a statewide and geographic area basis;
2. The type of care furnished;
3. The extent of provider participation; and
4. The degree of costs covered in disproportionate share hospitals.

If you have any questions regarding this information, please contact me at (402) 471-9718.

Sincerely,

Robert J. Seiffert, Administrator
Medical Services Division

NS:KK3084B

Enclosure

cc: Medical Services Division
Manuals Review Unit

STATE OF NEBRASKA

DEPARTMENT OF SOCIAL SERVICES
Dean Harvey

E. Benjamin Nelson
Governor

July 22, 1993

Mr. Richard P. Brummel
Associate Regional Administrator for Medicaid
Federal Office Building, Room 227
601 East 12th Street
Kansas City, MO 64106

RE: State Plan Amendment MS-93-12

Dear Mr. Brummel:

This plan amends the "Computation of Rate" and "Minimum Payment Adjustment" sections of our Medicaid rate setting methodology for inpatient hospital services. Urban facilities, defined as those located in Douglas and Lancaster Counties, will receive prospective rates and be subject to minimum payment adjustments at 95% of their Medicaid allowable operating costs plus capital-related costs, effective July 1, 1993. There is no proposed change to the percentage of allowable costs for facilities located outside of Douglas and Lancaster Counties. It is noted that the Department was petitioned for this change, under state law. We are providing required assurances and related information to support the reasoning for this amendment.

REASONABLE AND ADEQUATE RATES - 42 CFR 447.253(b)(1)(i):

There are a number of reasons why we are proposing to amend the plan to reimburse urban hospitals at a 95% rate, while continuing to reimburse rural facilities at an 85% rate. We are required to provide assurances that we are adequately reimbursing facilities which are economically and efficiently operated. In reviewing various statistics, we have concluded that there are reasons to believe that rural facilities may not be operating as efficiently in this State as urban facilities. We believe it is important that the State not reimburse costs which relate to inefficiency and which could have been avoided. The following data supports our plan amendment.

Occupancy percentages support whether a facility is efficiently providing care to the patients it is serving. Our review indicates that urban Nebraska hospitals maintain a higher level of occupancy than do rural facilities. Attachment A provides data on the reported and licensed occupancy percentage of Nebraska acute care hospitals for calendar year 1991. Douglas and Lancaster facilities have a reported occupancy of 56.3%, whereas the balance of facilities in the state (rural) have a reported occupancy of 21.1%. A substantial difference also exists in licensed occupancy, at 46.1% in Douglas and Lancaster Counties, versus 20.1% for the balance of the state. Similarly, the urban facilities bed staffed occupancy percentage was 55.3% compared to

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31.7% for rural facilities (not shown in Attachment A). As hospitals provide higher occupancy levels, they are more efficient in their utilization of staff, ancillary, administrative, and general service departments. Therefore, their cost for equivalent levels of service per patient day would be lower than those hospitals with lower occupancy.

Hospitals in Douglas and Lancaster Counties also make more efficient utilization of personnel resources. We calculated the case mix adjusted number of full-time equivalent employees per occupied bed for facilities in the two-county area and compared that information to similar data for rural facilities. This ratio measures the number of personnel required to provide care to a single patient for a single day. The data utilized to calculate this ratio was obtained from the wage index form submitted by hospitals as part of the Medicare cost report and patient day information from the same reports. We then adjusted this calculation to reflect the higher acuity care requirements of patients in the two-county area by utilizing the case mix index as published in the Federal Register. These calculations indicated that hospitals in the two-county area utilize 5.91 FTE's per occupied bed compared to 6.35 FTE's per occupied bed in rural areas. This calculation indicates a more effective utilization of personnel resources by hospitals in the two-county area.

LOW INCOME PATIENTS WITH SPECIAL NEEDS - 42 CFR 447.253(b)(1)(ii)(A):

We find that the methods and standards used to determine payment rates take into account the situation of hospitals that serve a disproportionate number of low income patients with special needs. Regulations effective July 1, 1988, provide for additional reimbursement for qualifying hospitals. Additional reimbursement for infant disproportionate share hospitals was provided for with regulations effective July 1, 1989.

LOWER LEVEL OF CARE - 42 CFR 447.253(b)(1)(ii)(B):

We find that the methods and standards used to determine the payment rates provide that reimbursement for hospital patients receiving services at an inappropriate level of care would be made at lower rates consistent with Section 1861(v)(1)(G) of the Social Security Act. The basis for this finding is in 471 NAC 10-010.01, which states that inpatient care must be medically necessary. Care that does not appear to meet that definition is reviewed. If it is found that the patient required nursing facility care rather than acute care, payment will be made in accordance with 471 NAC 10-010.03N, Lower Levels of Care.

REASONABLE ACCESS - 42 CFR 447.253(b)(1)(ii)(C):

We find that the payment rates are adequate to assure that recipients have reasonable access, taking into account geographical location and reasonable travel time, to inpatient hospital services of adequate quality. The basis for this finding is:

1. The rates for some facilities increase as a result of this plan change;
2. No facility is expected to change the quality and/or quantity of the services provided solely as a result of the changes in rates;
3. No facility is expected to "go out of business" or change its operation significantly solely as a result of these changes; and
4. All hospitals licensed and certified in Nebraska continue to participate in the Medicaid program.

UPPER LIMITS - 42 CFR 447.253(b)(2):

The Department finds that its average payment rate pays no more in the aggregate for inpatient hospital services than the amount the State estimates is paid for those services under Medicare principles of reimbursement. The Department uses the Medicare final cost reports for each facility to determine cost per discharge and to set rates.

Please reference Attachment B. Utilizing 1992 Medicare cost report data, the State projects that the average payment per Medicaid discharge (operating costs only) for the period July 1, 1993 to June 30, 1994, will be $5,147.54, while at the same time the average Medicare payment per discharge (operating costs only) will be $5,794.83. It is noted that the Department's comparison is limited to facilities located in Douglas and Lancaster Counties, representing approximately one-half of all licensed acute inpatient beds in the state.

The Department finds that the average payment rate under this plan amendment will pay no more to state-operated facilities for inpatient hospital services than the amount the state estimates would be paid for those services under Medicare principles of reimbursement.

PROVIDER APPEALS - 42 CFR 447.253(c):

The Department provides an appeal procedure that allows individual providers an opportunity to submit additional evidence and request prompt administrative review of payment rates. Provision is found at 471 NAC 10-010.03R, Provider Appeals.

UNIFORM COST REPORTS - 42 CFR 447.253(d):

The hospital reimbursement plan provides for uniform cost reports by use of Medicare cost report form HCFA-2552 for the same reporting period as that used for Medicare. See 471 NAC 10-010.03A.

AUDIT REQUIREMENTS - 42 CFR 447.253(e):

The plan provides for periodic audit to the financial and statistical records of participating providers. The Department has reserved this right for itself under 471 NAC 10-010.03Q, Audit, and Section 10-010.03P, Access to Records.

PUBLIC NOTICE - 42 CFR 447.253(f):

Public notice was given regarding this plan amendment. The notice was published on June 15, 1993, in the Omaha World-Herald and the Lincoln Journal-Star.

RATES FROM APPROVED STATE PLAN - 42 CFR 447.253(g):

The Department pays for inpatient hospital care services using rates determined in accordance with the methods and standards specified in the approved State Plan.

RELATED INFORMATION - 42 CFR 447.255:

The following table indicates the proposed average statewide Medicaid rates (excluding disproportionate share) that would be paid for the period July 1, 1993 through June 30, 1994, by respective care classification:

	Current	Proposed	Difference	
Acute	$693.85	$707.57	$13.72	2.0% increase
Psych	436.01	463.86	27.85	6.4% increase
Nursery	198.13	202.20	4.07	2.1% increase
Rehab	374.79	374.79	0.00	0.0% increase
IMD	158.58	158.58	0.00	0.0% increase

1. The availability of services will not be affected;
2. The new rates are not expected to alter the type of care furnished;
3. The new rates will not change the extent of provider participation; and
4. The new rates will not reduce the degree to which costs are covered in hospitals that serve a disproportionate number of low income patients with special needs.

REVALUATION OF ASSETS - 1902(a)(13)(B) OF THE SOCIAL SECURITY ACT:

The Department finds that its payment methodology can reasonably be expected not to increase payments, solely as a result of a change in ownership, in excess of the increase that would result from application of section 1861(v)(1)(O) of the Social Security Act. Rates are set using the Medicare cost report, and the reimbursement plan requires depreciation recapture if a facility is sold for profit.

DISPROPORTIONATE SHARE UPPER LIMIT - 42 CFR 447.272(c):

The Department assures that its aggregate disproportionate share hospital payments do not exceed the disproportionate share hospital payment limits. The Department will continue to meet this requirement and the minimum payment requirements under 42 CFR 447.296(b)(5). The State's plan amendment continues to utilize the Medicare methodology described in Section 1923(c)(1) of the Social Security Act.

If you have any questions about this information, please contact me at (402) 471-9718.

Sincerely,

Robert J. Seiffert

Robert J. Seiffert, Administrator
Medical Services Division

MC:KK3190P

Enclosures

RASKA HOSPITAL ACUTE BED OCCUPANCY (EXCLUDES PSYCHIATRIC CARE)

ICD: Jan-Dec 1991

SOURCE: NEBRASKA DEPARTMENT OF HEALTH

Hospital	City	Occupancy % Reported	Licensed
Brown Co Hosp	Ainsworth	26.1	24.0
Boone Co Comm Hosp	Albion	15.4	15.4
Box Butte Genl	Alliance	27.0	27.0
Harlan Co Comm Hosp	Alma	8.0	8.0
West Holt Mem	Atkinson	16.8	16.8
Nemaha Co Hosp	Auburn	13.8	13.1
Aurora Mem Hosp	Aurora	26.0	26.0
Rock Co Hosp	Bassett	20.2	20.2
Beatrice Hosp & Hlt C	Beatrice	19.1	17.6
Dundy Co Hosp	Benkelman	10.0	10.0
Blair Mem Comm Hosp	Blair	23.3	23.4
Morrill Co Hosp	Bridgeport	11.2	11.2
Melham Med Ctr	Broken Bow	17.6	17.6
Burwell Comm Mem	Burwell	0.0	0.0
Callaway Dist Hosp	Callaway	37.6	37.6
Cambridge Mem Hosp	Cambridge	25.2	25.2
Litzenberg	Central City	17.6	17.6
Chadron Comm Hosp	Chadron	24.2	22.6
Columbus Comm Hosp	Columbus	38.4	38.6
ad Comm Hosp	Cozad	10.3	10.3
ford Comm Mem	Crawford	6.5	6.5
Lundberg Mem	Creighton	13.5	13.5
Crete Muni Hosp	Crete	13.9	13.9
Butler Co Hosp	David City	27.6	27.6
Jefferson Co Mem	Fairbury	18.7	11.8
Falls City Comm Hosp	Falls City	22.7	22.7
Franklin Co Mem Hosp	Franklin	19.1	19.1
Fremont Mem Hosp	Fremont	50.6	50.6
Warren Mem Hosp	Friend	7.9	7.9
Fullerton Mem Hosp	Fullerton	5.8	2.6
Fillmore Co Hosp	Geneva	13.7	13.7
Genoa Comm Hosp	Genoa	9.2	9.2
Gordon Mem Hosp	Gordon	21.6	21.6
Gothenburg Mem Hosp	Gothenburg	28.8	25.9
St Francis	Grand Island	65.3	51.5
Perkins Co Hosp & Hm	Grant	34.5	34.5
Mary Lanning Mem	Hastings	37.6	37.6
Thayer Co Mem Hosp	Hebron	26.6	24.2
Henderson Comm Hosp	Henderson	9.0	9.0
Phelps Mem	Holdrege	40.9	40.9
Humboldt Comm Mem Hos	Humboldt	5.4	5.4
Chase Co Comm Hosp	Imperial	20.9	20.9
Good Sam Hosp	Kearney	59.6	59.6
Kimball Co Hosp	Kimball	10.4	10.4
-County Hosp	Lexington	27.9	27.9
brara Valley Hosp	Lynch	21.3	21.3
McCook Comm Hosp	McCook	25.0	25.0
Kearney Co Comm Hosp	Minden	8.4	8.4
Pioneer Mem Comm	Mullen	0.0	0.0